

19 April 1985

MEMORANDUM FOR: Source Selection Official
D/FBIS

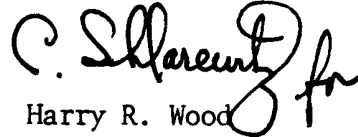
FROM: Chairman, Source Selection Evaluation Board (SSEB)

SUBJECT: INTERNET RFP Recommendations

1. In accordance with the INTERNET Source Selection Plan, the SSEB is forwarding its final recommendations on the subject RFP.

2. The formal evaluation process is now complete in that those companies considered in the competitive range were called in for discussions and given the opportunity to revise their proposals. These revised proposals have been evaluated by the appropriate panels whose final reports are attached. The Technical and Management Panel has ranked COMSAT first and OTI second, scoring 46 and 33.3 points respectively. The Cost Panel ranked COMSAT second but by only a point differential of 1.15. Thus the overall ranking is COMSAT 94.85 and OTI 83.3 points.

3. Based on this evaluation the SSEB recommends that COMSAT be selected the winner of the competitive procurement and the contracting officer be directed to enter into final negotiations. A critical aspect of these negotiations should be the points addressed in the attached memo.


Harry R. Wood

Attachments:

Initial INTERNET Negotiations
Panel Review of OTI Revised Proposal
Revised Cost Proposal Evaluations

Distribution:

1 - Addressee w/att.
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D/FBIS

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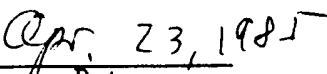

Harry R. Wood

Attachments:

Initial INTERNET Negotiations
Panel Review of OTI Revised Proposal
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APPROVED:


Director, Foreign Broadcast Information Service
Source Selection Official


Date

MEMORANDUM FOR: Contracting Officer/FBIS
FROM: Chief, Engineering Division
SUBJECT: Initial INTERNET Negotiations

1. The INTERNET RFP has resulted in COMSAT being the apparent winner on the basis of costs submitted during the revised proposal step. There remains a number of points that must be addressed either before or during actual negotiation of the contract. These are addressed below. Maximum financial exposure until these issues are satisfactorily resolved should not exceed \$120K/YR (COMSAT's service charge).

2. Points that need to be built in to the contract are listed below. If these cannot be satisfied then an automatic termination clause, without penalty, should be invoked.

a. COMSAT will act as FBIS' agent with foreign administrations in determining the precise conditions for the non-U.S. parts of the lease. These specifics shall be reviewed in detail with FBIS prior to presenting the reservation request to INTELSAT.

b. COMSAT will act as FBIS' agent in preparing, processing, and presenting a customized lease request to INTELSAT, independent of the lease currently bid.

c. COMSAT shall establish a position on whether they wish to bid on the U.S. terminal. They shall provide written assurances, or conditions should be incorporated in the contract, that they will expeditiously and effectively process the earth station application whether they are selected as the installation contractor or not.

3. Negotiating points that have been identified are listed below:

a. How the monthly lease charges can be reduced. We note that the monthly charge by INTELSAT is \$90.5K. The additional cost is carrier markup.

b. Based on conditions, if any, specified by the foreign administrations, we need a mechanism for incorporating all markup charges and then negotiating these as a single cost item.

c. There is a discrepancy between the first and third page of COMSAT's revised proposal as to what the first month's reservation fee actually is. This relates in part to "a" above.

SUBJECT: Initial INTERNET Negotiations

4. COMSAT must be informed that a minimum condition of the lease as far as FBIS is concerned is that we must have 24 hour a day availability and operational control of the traffic flow. By traffic flow it is meant message priority, within the network, in so far as the originating station is concerned. Other conditions that may be specified by the foreign administrations will be dealt with following their precise definition. FBIS reserves the right to participate in these meetings and/or negotiations with the foreign administrations since these may well influence overall program direction. See paragraph two above.

5. Please review these points and determine whether these discussions should take place prior to or in conjunction with formal negotiations. In any event, we should resolve these points before dismissing completely the OTI competing bid.

Harry R. Wood
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Distribution:

1 - Addressee

1 - INTERNET File

Info copy sent to DD/FBIS

8 April 1985

MEMORANDUM FOR THE RECORD

SUBJECT: Panel Review of OTI Revised Proposal

REFERENCE: 20 February 1985 - Report of Response to RFP-09-85

The revised proposal, addendum to Volume I Technical Proposal 20 March 1985 from OTI was reviewed by the Technical and Management Evaluation Panel on 8 April 1985.

BACKGROUND

On 20 February 1985, COMSAT was selected by the Technical and Management Evaluation Panel as the offeror with the highest technical and management proposal score and it was recommended that COMSAT be awarded the contract on the basis of their response. OTI was second and IRI ran a close third. Five offerors responded to the RFP.

NEW DEVELOPMENTS

The Contracting Officer, Mr. James Grabulis, asked for clarification of COMSAT and OTI on their original submissions since they were designated within a cost competitive range. COMSAT did not revise their original proposal, which was already rated high. OTI has effectively increased their professional staff by the addition of Mr. Al McCormick who has served at COMSAT World Systems and American Satellite Corporation. OTI has also effected liaison with British Telecom, Mercury Communications, and the Belgium, German and Swiss PTT's. OTI has downgraded the percentage of foreign ownerships originally cited in the technical and management proposal to 15%. OTI will have its first IBS ground terminal in Detroit in May 1985.

On 5 April, Mr. Grabulis invited OTI's president to give a presentation on their business projection plan. Established during the question and answer period was the status of OTI as follows:

- a) OTI has no signed contracts at present
- b) OTI will be contracting for its first IBS Ground Station in Detroit.

RECOMMENDATION

The overall ratings have not changed since the 20 February 1985 evaluation by the Panel. The Panel continues to recommend COMSAT.


Arthur F. Boland

9 April 1985

MEMORANDUM FOR: Chairman
Source Selection Evaluation Board

FROM: Chairman
INTERNET Cost Evaluation Panel

SUBJECT: Revised Cost Proposal Evaluations
of the INTERNET RFP

In accordance with the criteria established in the RFP, amendment number one and the Source Selection Plan, the Cost Evaluation panel evaluated the revised proposals submitted by the offerors in the competitive range: OTI and COMSAT.

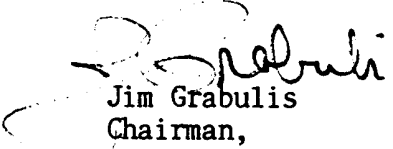
COMSAT submitted a revised proposal totalling \$13,913,350 (which includes the British value added tax) for a seven year lease which is a reduction of \$1,322,650 below their originally submitted cost. On 4 April COMSAT sent the contracting officer a letter stating their originally proposed costs are valid and that the resubmitted costs were in error. Thus there is no change in COMSAT's price of \$15,236,000.

OTI reduced their costs for a seven year lease by \$256,000.00 for total of \$15,137,700. In evaluating the OTI proposal, their financial condition became of concern. Based on this concern the contracting officer requested (1) OTI present its business plan and (2) the auditor is to review their financial condition and submit a audit report to the undersigned by 12 April 1985. On 5 April OTI presented their business plan. It was evident from the plan that OTI has developed a sound business approach with considerable financial backing. Satellite Transmission Systems, Inc. (STS) is for example building a site for OTI as a operational base and will lease the facility back to OTI. STS is in effect financing OTI and has sent a letter to the contracting officer stating their support, commitment and confidence in OTI. MACOM, apparently at OTI's request has also sent a letter stating their technical support and assistance for this effort. Checking with OTI financial institutions, it apparently has \$847,721.92 in cash assets as of 8 April 1985. However, to date they have not been awarded a single contract. OTI claims that they will eminently be awarded a major contract with Electronic Data Systems Division of General Motors and possibility DEC. Given the foregoing, there is still concern regarding OTI's financial responsibility. That determination will be made upon completion of the auditors evaluation.

SUBJECT: Revised Cost Proposal Evaluations
of the INTERNET RFP

The following represents a cost comparison of the companies in the competitive range between their initial and revised submissions:

<u>OFFEROR</u>	<u>INITIAL PROPOSAL</u> <u>(\$000)</u>	<u>REVISED PROPOSAL</u> <u>(\$000)</u>
COMSAT	\$15,236.0	No change
OTI	15,393.7	\$15,137.7


Jim Grabulis
Chairman,
Cost Evaluation Panel

SUBJECT: Revised Cost Proposal Evaluations
of the INTERNET RFP

DDS&T/FBIS/CO/JJGrabulis:swx2696(11 Apr 85)

Distribution:

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